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S E C R E T SECTION 01 OF 04 SHANGHAI 000549

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E.O. 12958: DECL: MR, X1
TAGS: [PGOV](#) [PINR](#) [EINV](#) [ECON](#) [CH](#)
SUBJECT: MORE DETAILS ON BEIDAIHE MEETINGS

REF: A) SHANGHAI 508; B) SHANGHAI 485; C) SHANGHAI 527

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Embassy, Beijing, Department of State.
REASON: 1.4 (b), (c), (d)

11. (S) Summary: According to a well-connected contact, informal meetings have continued at Beidaihe since the close of the first Work Conference on August 10. A second Work Conference to begin finalizing the name list for the Politburo and the Politburo Standing Committee (PBSC) would likely take place within the next two weeks, if it was not already underway. The newest version of the PBSC name list included incumbent members President Hu Jintao, Premier Wen Jiabao, and Vice President Zeng Qinghong, while all others would be forced to retire. The current personnel discussions reflected tensions among several different factions, including the Communist Youth League, Shanghai, and bureaucratic (guanliao) factions. The highly fluid situation in Beijing was due to Hu's inability or unwillingness to exercise independent leadership too far in advance of the Party Congress. End summary.

Meetings Continue at Beidaihe

12. (S) During an August 27 discussion, Nanjing University Professor Gu Su discussed rumors he had heard from his contacts in Beijing concerning the ongoing leadership meetings at Beidaihe (Note: See Ref A for an initial read out from Gu on the Work Conference. End note.). Gu said that his contacts told him that the initial Work Conference was held between August 2-10, but that less-formal meetings have been continuing during the intervening time as time permitted in the various leaders' schedules. Moreover, top leaders' secretaries were still encamped at the seaside resort and continued to lay the groundwork for personnel and policy negotiations that could later be ratified by their respective bosses. Party elders had also either recently held or would very soon be holding another "Democratic Life Meeting" to discuss their own suggestions on issues to be discussed at the Party Congress this fall. Likewise, another Work Conference was either currently underway or would convene within the next two weeks after the leadership got feedback from the provinces on their personnel and policy

proposals. Gu noted that the 7th Plenum was currently scheduled for sometime in September and that the mid-late October timeframe for the Party Congress still appeared to be holding. (Note: Official media announced on August 28 that the Party Congress would commence on October 15. End note.)

PBSC Name List Revisited, Progress Being Made

¶3. (S) Gu said that according to a friend of his who had recently returned from the Beidaihe meetings--where the friend had been a participant--the most recent version of the PBSC name list had seven positions. Hu, Premier Wen Jiabao, and Vice President Zeng Qinghong would remain on the PBSC, while all the other current members would retire. Zeng would take over from Wu Bangguo as Chairman of the National People's Congress (NPC). Although Zeng was currently 68--one year older than Wu Bangguo--Gu opined that the party would cite "work necessities" as the rationale for allowing him to violate the so-called "seven up, eight down rule" that had been devised to force Li Ruihuan from the PBSC at the last Party Congress. According to the rule, a person could either be promoted to or remain on the PBSC if they were 67 or younger but--in order to "rejuvenate" the leadership--anyone 68 or older at the time of the Party Congress needed to retire. Gu said that party elder Jiang Zemin had been insistent on having Zeng remain, wanting at least one person on the PBSC to represent his interests. Jiang was happy to have Wu Bangguo step down, since Wu was not particularly close to Jiang.

¶4. (S) Hu protege and Liaoning Party Secretary Li Keqiang was set to take over Zeng's old position on the PBSC and backfill for Zeng as Vice President and head of the Central Party School, as well as take oversight of the Organization Department. Hu protege, General Office Head, and Politburo alternate member Wang Gang would also join the PBSC, taking over the propaganda portfolio from current PBSC member Li Changchun and the Central Disciplinary Inspection Commission from PBSC member Wu

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Guanzheng. Politburo member and Guangdong Party Secretary Zhang Dejiang was also set for promotion to the PBSC to take over for Huang Ju as Executive Vice Premier. From this slot, Gu speculated, Zhang might be positioned to take over from Wen as Premier in 2012, although he also recognized that Zhang could simply remain in place if Bo Xilai was named Premier in 2012--also a possibility. Gu said that Zhang had initially been a Jiang protege, but had switched his allegiance fairly early on after the last Party Congress to Hu. Rounding out the PBSC namelist was NPC Executive Vice Chairman Wang Zhaoguo--a protege of late Party Secretary Hu Yaobang--who would presumably backfill for Jia Qinglin as head of the Chinese People's Political Consultative Conference (Ref B).

¶5. (S) Jiangsu Party Secretary and Hu protege Li Yuanchao, Shanghai Party Secretary Xi Jinping, Minister of Commerce Bo Xilai, and Qinghai Party Secretary Zhao Leji were likely to be elevated to the Politburo. Of these, the first three--Li, Xi, and Bo--were also members of the so-called "princeling faction"--children of former high-level cadres. Gu assessed that these three also stood a good chance of promotion to the PBSC in 2012. Gu also thought that United Front Work Department Head Liu Yandong might replace Vice Premier Wu Yi--who was slated to retire--as the female representative on the Politburo. Gu predicted that Vice Foreign Minister Dai Bingguo would assume Wu's SED and other trade and foreign economic relations responsibilities, in tandem with Bo Xilai.

Factional Divides and Overlaps

¶6. (C) Gu further expanded on his multi-faction personnel fight theme, noting that there were at least three main factions vying for key slots, including the Communist Youth League (CYL), the

bureaucratic (guanliao), and Shanghai factions. Of these, Gu assessed that the Shanghai faction was playing a smaller and smaller role, especially since the arrest of former Shanghai Party Secretary, Politburo member, and Jiang loyalist Chen Liangyu on corruption charges, and the death of Jiang ally Huang Ju. The CYL faction was largely comprised of people who had spent their careers inside China's party apparatus, whereas the bureaucratic faction consisted of people who had mainly served in government positions. Their differences stemmed largely from their approach to problem solving, with the CYL faction more focused on using ideology and the bureaucratic group focused on using procedure to implement change. This divide was similar to that which existed in early reform era, between Hu Yaobang and Zhao Ziyang. Gu explained that there were also other factional groupings; factional divides were not always clear-cut. People in one group could also be categorized as members of another group, complicating the personnel selection process. For instance, the princeling faction cut across other factional lines and included people from the Communist Youth League faction, the bureaucratic faction, and the Shanghai faction.

Causing Weak Things to Be Made Strong

¶17. (S) Gu assessed the current leadership situation as "more unstable than it has been in years." He blamed this primarily on Hu's failure to establish his independent leadership earlier on in his term. Hu had continued to consult Jiang on many issues even after Jiang's full retirement, perpetuating a tradition of quasi-subservience that had enabled Jiang to retain some influence. Jiang's influence, in other words was not necessarily based on his strength, but rather on Hu's passivity, relative weakness, and failure to make necessary changes earlier on. As a result, the various factions all had a stronger voice than they had had in the run-up to previous party congresses.

¶18. (S) This situation had begun to change with the arrest of Chen. Hu had first sought Jiang's approval to sack Chen. However, since his arrest, Hu had begun showing greater political independence. For instance, Hu had sacked Foreign Minister Li Zhaoxing, a protege of former NPC Chairman Li Peng who was perceived as a Jiang holdover. Hu had also succeeded in tracking down Chen Liangyu's son and removing him to China from Australia (Note: According to several other sources, including that reported in Ref C, the son was extradited from Malaysia. An Australian diplomat in Shanghai with whom we spoke was confident that Chen's son had not been extradited from Australia. End note.) Chen's son, who had been good friends

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with Jiang's family, reportedly had information on the corruption of his eldest son, Jiang Miankang. Along those lines, Gu also noted that the late-vice premier Huang Ju's personal secretary had been arrested and possessed a wealth of information on Jiang Mianheng's financial misdeeds that he was now readily sharing with investigators. Gu believed that if Jiang tried to exercise undo influence after the Party Congress Hu was prepared to use the information he was collecting to force Jiang into a more docile position. Gu's friends in Beijing had told Gu that Hu now regretted that he had waited so long to begin establishing himself.

¶19. (C) Gu believed that Hu had gained sufficient ground to overcome objections to his Harmonious Society ideological formulation. Harmonious Society, Gu assessed, would still be the dominant ideological theme coming out of the Party Congress with the Scientific Development Concept as the subordinate theme.

Hu's Perfect Foreign Policy Record

¶10. (C) Gu said that Hu enjoyed a near perfect record on foreign policy. His Japan policies were seen as successful. Hu's Taiwan policy was also widely seen as more effective than

Jiang's. Hu refused to say anything publicly about the situation prior to the Taiwan elections in an effort to avoid negatively influencing the outcome of the elections. Many blamed Chen Shui-bian's victory in part on Jiang for his strident anti-Chen rhetoric prior to the last election. Hu relied on the United States to keep Chen under control, allowing him to play the role of patient statesman. In general, Hu was seen as more patient than Jiang and more adept at working with the United States to encourage it to help maintain a stable international situation.

¶11. (C) As an aside, Gu noted that many government officials preferred working with Republican administrations. Although the party was in theory more in sympathy with the Democratic Party, Republicans had historically given more and better attention to the U.S.-Sino relationship. Gu quoted Mao Zedong's statement that he preferred foreign rightists to leftists. Republicans had a better reputation for trustworthiness among Chinese officials and were seen as better at keeping their promises.

Wen's Corruption and the Fading Leftists

¶12. (S) Gu noted that Hu's family was apparently free from rumors of corruption, making him relatively impervious to retaliatory investigations. Premier Wen's family--particularly his two children--on the other hand, was involved in many questionable dealings. Gu noted that this familial corruption--which Gu referred to as Wen's "long tail"--left Wen more vulnerable to attack. Wen had recently been complaining about criticism he had faced from party leftists that mingled both criticism of his policies with criticism of his family.

¶13. (C) Although they still remained a voice within the party, Gu noted that leftists were decreasing in influence. Gu said there was still an "old-school" leftist faction--most of whom were in their 80s or older--who advocated bringing the party back to its policy glory days of the 1960s. However, Hu had recently shut down this group's website titled "Red Flag and Mao Zedong Thought." "Neo-leftists," too, were diminishing in influence, thanks in part to people like Wu Bing, the Chief Editor of "Du Shu" magazine. Wu was the niece of Wu Zuguang, a famous playwright who was purged as a rightist in the 1950s for criticizing Communism. Under Tsinghua academic Wang Hui's editorship "Du Shu" had promoted "new-leftist" views, but more recently its readership had dropped by more than half, and the publisher had brought in Wu to try to "fix" the problems with the publication.

Comment: The Seats Change, But the Names Remain the Same

¶14. (C) Comment: We note that over the past several weeks, several different accounts of the Beidaihe events, and particularly the PBSC name list have emerged in the foreign press as well from our own contacts. For instance, in Ref A, Gu himself gave a somewhat different take on the PBSC name list.

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While tempting to chalk this up to people throwing out their own wild guesses or to view these changing lists as proof of the unreliability of different sources, we would argue against this for two reasons: 1) it is in the interests of different factions to float different name lists through different channels as trial balloons to gauge the reaction of different constituencies; and 2) the situation is constantly changing, so that it is possible--indeed likely--that some contacts are providing accurate information as of the time they received it. Whether that information remains accurate week to week is a different story. The set of commonly cited names, while still greater than the number of places on the PBSC, is relatively stable, however, and with the August 28 announcement that the Party Congress will begin on October 15, it is possible that the party is beginning to reach some measure of consensus. End

comment.
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